



Hawaii Tourism Authority

1999 Annual Report to the Hawaii State Legislature

**Governor Benjamin J. Cayetano
Shari W. Chang, Chair, Hawaii Tourism Authority
Robert J. Fishman, Chief Executive Officer, Hawaii Tourism Authority**

TOURISM IN THE 21ST CENTURY

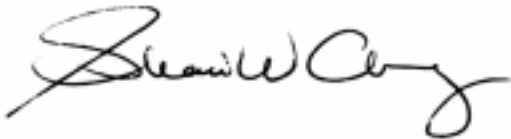
As the Hawaii Tourism Authority (HTA) completes its first year of operation, we are pleased to present this annual report. The past 12 months have been filled with challenges and opportunities for the HTA, the State's lead tourism agency.

Under the leadership of Governor Cayetano and the Legislature, the support from the visitor industry, and the guidance of our first two Chairs, John L. Reed and Diane S. Quitiquit, the HTA is accomplishing its charge to create a vision and develop a long range plan for tourism in Hawaii. As such, the HTA's Draft Tourism Strategic Plan - *Ke Kumu* - was born.

Ke Kumu is a living document based on 12 months' work by hundreds of Hawaii residents, community groups, private business organizations and government agencies, including the Legislature. While it provides a framework for bringing together the diverse and oftentimes divisive elements of the state to identify common goals for the good of Hawaii and its people, it also serves to guide this body in fulfilling its leadership role as steward of Hawaii's tourism industry. *Ke Kumu* outlines the future development and marketing of tourism for the State of Hawaii well into the 21st century. In the coming months, the HTA's focus will be to implement *Ke Kumu*'s seven strategic initiatives to achieve its goal of increased visitor expenditures.

With the dawning of a new millennium comes HTA's vision of Hawaii in the 21st Century - a Hawaii in which the islands' unparalleled beauty, unspoiled natural resources and rich diversity of people are nurtured and allowed to flourish. It is also a Hawaii which offers leadership in the areas of business, technology and health. With that vision comes the opportunity, as well as responsibility, for the HTA to work with communities and other stakeholders in ever more creative and productive ways to shape the future of Hawaii's visitor industry. It is a challenge that this Authority eagerly embraces.

On behalf of the Hawaii Tourism Authority, we invite you to review this report. Mahalo to all of those who have assisted and supported us throughout the year, for your hard work, dedication and commitment.



Shari W. Chang
Chair



Robert J. Fishman
Chief Executive Officer

Note: Report presents information through December 8, 1999.

HAWAII TOURISM AUTHORITY

MEMBERS AND STAFF

Members

Representing

Shari W. Chang, Chair
President,
SWC Marketing

At-Large

W. David P. Carey, III, Vice-Chair
President & CEO,
Outrigger Enterprises, Inc.

At-Large

Gary J. Baldwin
Management Consultant

Kauai

Kazu Hayashida
Director, State of Hawaii,
Department of Transportation

Ex-Officio

Gilbert M. Kimura
Regional Sales Manager,
Japan Air Lines

At-Large

Kalowena Komeiji
Event and Public Relations Consultant

Community

Seiji F. Naya
Director, State of Hawaii,
Department of Business,
Economic Development & Tourism

Ex-Officio
At-Large

Mark Roling
President,
Roling Sports, Inc.

Maui County

Peter H. Schall
Vice President & Managing Director,
Hilton Hawaiian Village
Area Vice President - Hawaii

At-Large

Roy Tokujo
President & CEO,
Cove Marketing, Inc.

City & County of Honolulu

Members (continued)

Representing

Keith Vieira
Vice President,
Director of Operations – Hawaii
Starwood Hotels & Resorts Worldwide, Inc.

At-Large

Ron Wright
Managing Director,
Sales and Marketing – Hawaii
Continental Airlines

At-Large

To be named

Hawaii

STAFF

Robert J. Fishman

Chief Executive Officer

Cynthia D. Quinn

Chief Operating Officer

Muriel A. Anderson

Director of Tourism Programs

William W. Bone

Policy & Planning Coordinator

Sharon M. L. Freitas

Communications Officer

Jamie K. Lum

Tourism Specialist

Ka'iulani Piper

Tourism Specialist

Vengie S. Talaro

Accounting Assistant

Eleanor Thommes

Executive Secretary to C.E.O.

Jan Yamane

Accountability & Research
Coordinator

Caroline Yap

Tourism Specialist

Casey Asato

Student Intern

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I. THE YEAR IN REVIEW – A Year of Breakthroughs

As a newly formed organization, our accomplishments over the past 12 months include:

1. The HTA has completed a draft tourism strategic plan, "*Ke Kumu - Strategic Directions for Hawaii's Visitor Industry*," with broad input by the visitor industry, private business, government agencies and the community.
2. For the first time, the state is focusing on visitor expenditures rather than visitor arrivals to achieve economic growth in tourism. The Authority recognizes that there is a physical limit to visitor arrival growth; however, by marketing more effectively, Hawaii can increase visitor expenditures without necessarily tying that to growth in visitor arrivals.
3. For the first time, three areas of Hawaii marketing have been identified and segmented into separate areas to ensure pure focus in each area and to eliminate distraction of focus: Events, Tourism Integrated Marketing, and Conventions, Meetings and Incentives (CMI).
4. For the first time in Hawaii's history, a competitive bid process (RFP) for marketing Hawaii was established for each of the three areas. The purpose of these RFPs was to stimulate creative and new ideas in the way the state is marketed. As a result, companies had the opportunity to submit proposals for Events, Tourism Integrated Marketing services and CMI for the State of Hawaii.
5. Within the tourism integrated marketing piece, the source of Hawaii's visitor markets were identified and reclassified into ten Major Market Areas (MMA), with varying levels of emphasis assigned to each. It is the marketing contractor's responsibility to develop a marketing plan that targets those goals set forth by the HTA.
6. For the first time in Hawaii's history, a competitive bid process (RFP) was established to enhance Hawaii's Product Development offerings in five niche areas: Business Development and Attraction, Eco Tourism, Edu Tourism, Health & Wellness Tourism and Techno Tourism. The philosophy underlying the Authority's Product Development efforts is that as Hawaii prepares to enter the 21st century, Hawaii's tourism product must continually be rejuvenated to meet changing consumer's expectations and to maintain a competitive position in the international marketplace. To this end, the Authority allocated over \$3 million for product development programs initiated in 1999.

II. OVERVIEW OF THE HAWAII TOURISM AUTHORITY

The Hawaii Tourism Authority (HTA), with the resources available from the tourism special fund, offers tremendous opportunities for Hawaii's visitor industry. The HTA also represents a real partnership between business and government for tourism management and includes a mechanism for the dedicated funding of tourism. During its first year of operation, the HTA has developed a comprehensive plan that includes a broad reach into the community. Tourism funds will be expended according to a plan with specific goals and measures of accountability that will help it achieve its mission:

“To manage the strategic growth of Hawaii’s visitor industry in a manner consistent with the economic goals, cultural values, preservation of natural resources, and community interests of the people of Hawaii.”

Members of the Authority were appointed in October 1998 and have met on a weekly basis. The board's initial efforts were focused on organization, budget development, and formulation of the strategic plan. Moneys did not become available for actual expenditure until June 1999, at which time funding for initiatives such as marketing, events, product development and community outreach became possible.

III. ORGANIZATION OF THE HAWAII TOURISM AUTHORITY

As the HTA successfully completes its first phase of activity – formulation and launching of its Tourism Strategic Plan – it has recognized the need for restructuring its resources. The former committee groups developed in 1998 were reorganized in a configuration designed to tackle implementation of the seven strategic initiatives as outlined in the plan and to maximize the effective use of staff. The revised standing committee structure* approved in June 1999 is as follows:

- The **Communication & Community Affairs (CCA) Committee** provides oversight of and assistance with HTA public relations, communications, government, industry and community affairs. Committee members: Kalowena Komeiji (Chair), Gary Baldwin, Shari Chang, Kazu Hayashida and Roy Tokujo. Staff: Sharon Freitas and Caroline Yap.
- The **Events Committee** provides supervision of major events and contractors. Committee members: Mark Roling (Chair), Gary Baldwin, Kalowena Komeiji, Diane Quitiquit and Roy Tokujo. Staff: Muriel Anderson and Jamie Lum.

- The **Finance and Audit Committee** oversees the budget and finances of the HTA, in addition to identifying additional funding and product development opportunities. Committee members: Gary Baldwin (Chair), David Carey, Kalowena Komeiji and Ron Wright. Staff: Cynthia Quinn.
- The **Long Range Planning and Accountability (LRPA) Committee** provides oversight of industry performance compared to long range plans and periodic updates of competitive and product assessments and the strategic plan. Committee members: Gilbert Kimura (Chair), David Carey, Seiji Naya, Peter Schall and Keith Vieira. Staff: Bill Bone, Jan Yamane and Caroline Yap.
- The **Marketing Committee** oversees the performance of the marketing contractors. Committee members: Shari Chang (Chair), Gilbert Kimura, Peter Schall, Keith Vieira and Ron Wright. Staff: Muriel Anderson and Bill Bone.

The HTA staff includes a Chief Executive Officer (CEO) and eight professional staff whose primary responsibility is to support the committees and to implement the initiatives of the strategic plan, in addition to the day-to-day operations of the Authority. They are supported by two secretarial staff, one student intern and two part-time employees who assist with contract preparation.

The HTA and its staff also work closely with the State Department of Business, Economic Development and Tourism (DBEDT), particularly in the area of tourism research. The Tourism Research Branch of DBEDT's Research and Economic Analysis Division (READ) has absorbed the tourism data collection and analysis functions previously performed by the Hawaii Visitors and Convention Bureau (HVCB), and as such is funded from the tourism special fund. READ provides a critical role in assisting the LRPA Committee in monitoring the status of results against goals.

*As approved by the Authority at its December 8th board meeting, beginning in Calendar Year 2000, the standing committees will be revised as follows:

- Marketing Committee;
- Events Committee;
- Product Development & Community Programs Committee;
- Budget & Finance Committee; and
- Strategic Planning & Accountability Committee.

IV. OVERVIEW OF KE KUMU

The draft Tourism Strategic Plan (TSP), *Ke Kumu*, was developed specifically to address the need to strengthen tourism for Hawaii's community. The primary question while developing the Plan components was *what is it that will make tourism more successful in Hawaii?* In order to define what success looks like, it was first necessary to (1) set measurable goals; (2) involve the community in the process; and (3) prioritize areas of focus for the future.

A. Formulation of *Ke Kumu*

Ke Kumu is based on two "foundation" studies: (1) a competitive analysis describing the kind of trends and competition Hawaii currently faces throughout the world; and, (2) a product assessment describing both the reality and perception of the kinds of events, attractions and experiences which Hawaii provides visitors.

To assist the HTA in developing these base studies, Requests for Proposals (RFP) were developed and qualified firms were invited to bid. The competitive analysis component of the plan was awarded to PricewaterhouseCoopers, LLP. This study examined the globally competitive position of Hawaii compared with other destinations in 1990 and 1997. The product assessment component of the plan was awarded to KPMG LLP. During this phase of the strategic planning process, over 5,000 individuals from a broad cross-section of the Islands' communities were contacted to participate.

B. Measurable Goals

Determining measurable goals that can be used to evaluate success and instill public confidence is important to the HTA. The key measure the board developed was **Visitor Expenditures** – a function of *spending per day*, *length-of-stay*, and *visitor arrivals*. This measure will be used by the HTA, the legislature and the public to evaluate the performance of Hawaii tourism. This measure was developed because the public asked for managed growth that will benefit all businesses of Hawaii, and visitor spending is a better reflection of the real economic impact than just visitor arrivals.

The overall goal of the HTA is to achieve managed growth of Hawaii's tourism industry by focusing on increasing visitor expenditures. The goal set forth in *Ke Kumu* is growth in visitor expenditures at an average annual growth rate of 4.6 percent unadjusted for inflation through 2005. This goal was set for the state as a whole and the HTA is working very closely with DBEDT's READ staff to develop specific visitor expenditure goals for each county.

C. Strategic Initiatives

The strategic planning process resulted in the identification of seven strategic initiatives. These initiatives reflect the complex nature of tourism and the various components that need to work together to deliver products, services and experiences that are satisfying to visitors, compatible with Hawaii's lifestyle, and assist in the overall diversification of Hawaii's economy – all part of HTA's mission. The seven initiatives are discussed below.

V. INITIATIVES & IMPLEMENTATION OF KE KUMU

With the development of *Ke Kumu*, the standing committees were restructured in alignment with its initiatives, and implementation of the initiatives began. This section identifies each initiative and the immediate implementation actions taken to-date.

A) Communication and Community Relations: *Implement a communication, education and outreach plan to enhance understanding of, support for, and participation in tourism by the community, visitor industry and government agencies.*

HTA's first effort to implement Strategic Initiative A focused on the community's involvement with *Ke Kumu*. Subsequent to the development of this plan, ten public meetings were held, with at least one meeting occurring on each island. The public was invited to attend and to provide further input into the strategies outlined in the plan. Each public meeting was fully documented and general community sentiment is currently being considered for incorporation into the next draft of the plan which is expected sometime in early 2000.

Future priorities in the area of communications and community relations include the development of: 1) community workshops on each island to reinforce the flow of ideas and ensure quality public interface with the Authority; 2) tourism awareness and education programs to increase the community's understanding of and support for tourism; and 3) coordinated educational programs for elementary, secondary, and college-level students to educate Hawaii's youth about tourism and prepare them for careers in the visitor industry.

B) Marketing: *Increase promotional presence and brand identity to more globally competitive levels to optimize performance in each Major Market Area. Structure marketing efforts to stimulate demand during shoulder periods; develop cooperative programs with travel partners to optimize use of HTA resources for brand marketing; and support TV and film initiatives that provide cost-effective, high-profile exposure.*

Perhaps the single most important initiative undertaken by the Authority in 1999 was the restructuring of the way tourism marketing is contracted and implemented for the state of Hawaii. As part of its strategic planning process, the HTA identified three specific marketing areas to be managed separately but in coordination with each other: Tourism Integrated Marketing Services, Conventions, Meetings and Incentives (CMI) and Events.

Following the development and presentation of *Ke Kumu* to the public in July, the HTA issued RFPs in these three areas. The purpose of these RFPs was two-fold:

1) to eliminate distraction of focus and ensure adequate emphasis for each marketing function; and 2) to stimulate creative, new ideas in the way the State is marketed. Never in Hawaii's history had a competitive process been used to select any of Hawaii's marketing contractors.

Tourism Integrated Marketing Services

Prior to the development of *Ke Kumu*, broad classifications were used to define Hawaii's source markets for visitors – eastbound and westbound. As part of the strategic planning process, the HTA segmented the world into ten Major Market Areas (MMA) to enhance pure brand marketing focus and improve measures of effectiveness in marketing expenditures:

- | | |
|------------|-----------------------------|
| 1. US West | 6. Latin America |
| 2. US East | 7. Other Asia |
| 3. Japan | 8. Oceania |
| 4. Canada | 9. Hawaii Convention Center |
| 5. Europe | 10. Other |

With the exception of the Hawaii Convention Center (which will be addressed in the CMI portion below), the MMAs represent geographic areas around the world, each of which has roughly similar travel characteristics. Using this breakdown, the HTA then prioritized the level of emphasis for each of the nine geographic MMAs, with the goal of obtaining the highest return on investment in terms of visitor expenditures.

The RFP for Tourism Integrated Marketing Services generated proposals from the HVCB and Dentsu Inc. After careful evaluation of the proposals, the HVCB was awarded the bid, pending contract negotiations, which are currently underway. The subcontractor RFP process is also in progress and the HTA with the HVCB will review the presentations of finalists for marketing subcontractors prior to January 2000.

Conventions, Meetings and Incentives (CMI) Marketing

Research clearly shows that business travelers have higher spending patterns than visitors traveling for leisure. The business market also helps to increase airline yield. Given the HTA's focus on growth in visitor expenditures and stated strategy to facilitate growth in airlift to Hawaii in a way that is profitable to the air carriers, the HTA has identified a level of increased emphasis on the Conventions, Meetings and Incentives (CMI) markets, which includes the Hawaii Convention Center (HCC).

With the construction of the convention center, a state of the art, world-class facility which opened in June 1998, Hawaii has the opportunity to become a major player in the convention market. In fact, *Ke Kumu* identifies the HCC as a tremendous asset where initial marketing efforts have been inconsistent and hampered by "structural" problems between the HVCB and the Convention Center Authority (CCA).

From the outset, the HTA has assumed responsibility for convention center marketing and issued an RFP soliciting marketing services exclusively for the CMI markets. These markets were identified as (1) Sales and marketing of the HCC for the express purpose of citywide and other large meetings, conventions and incentives; and (2) Sales, marketing, and servicing to attract and generate leads for CMI markets on all islands, exclusive of the convention center.

The objectives of this RFP were to increase: 1) visitor expenditures; 2) utilization of the HCC; and 3) airlift demand and yield.

Three proposals were received in response to this RFP. After a careful review of the presentations, the board selected the HVCB as contractor for CMI marketing, at its November 3rd meeting, pending clarification of parts of its proposal.

C) Events: Develop and support events that generate cost effective awareness of the Hawaii brand through national and international exposure.

This initiative is focused on the development of a year-round series of signature events, an integral component of the State's overall marketing plan to position Hawaii's "active lifestyle" image as a destination. The HTA will also endeavor to provide an annual calendar of events to minimize fluctuations in visitor arrivals and expenditures. Additionally, this initiative should minimize airlift concerns as to load capacity in the shoulder periods.

The Authority has developed three categories for evaluating events:

1. Signature events
2. Enhanceable events
3. Community events

A **signature event** is one that generates significant national and/or international media coverage (primarily live television) and economic impact (visitor expenditures and tax revenues). Examples include the NFL Pro Bowl, Sony Hawaiian Open, Mercedes Championships, PGA Grand Slam of Golf and Senior Skins Game.

An **enhanceable event** is characterized as a new or developing event and one that has significant economic impact but does not have the same level of media coverage as a signature event. An event in this category has the potential to become a signature event with the proper planning and support. Examples include the Aloha Festivals, Honolulu Festival, Ironman Triathlon, Maui Writers Conference, and "Savor the Flavors" Festival on Kauai.

A **community event** is one which is primarily for the local community but which gives visitors who are truly interested in learning more about Hawaii a glimpse of the island culture and lifestyle. Community events can also add to the overall visitor experience.

Examples include the World Invitational Hula Festival, “In Celebration of Canoes” Festival on Maui, Big Island Slack Key Festival, Koloa Plantation Days on Kauai, and the Hawaii State Canoe Racing Championships.

With these definitions in mind, the HTA determined that signature and enhanceable events for Calendar Year (CY) 2000 would be funded from the Events budget, while community events for CY 2000 would be funded out of Product Development.

In February 1999, prior to the Authority making these distinctions between types of events, an RFP for cultural and sports events and projects for CY 1999 was issued. The Events Committee reviewed the proposals against the evaluation criteria and made its recommendations to the full board for approval. As a result, the board voted to approve the committee’s recommendations and funding was awarded for 38 cultural projects and events, and for 23 sporting projects and events. Results of these programs will be monitored in several ways: 1) Events will be evaluated by the number of attendees/ participants and media value; and 2) Non-event projects will be monitored through periodic progress reports, and ultimately, a final product (e.g., a walking tour or brochure).

An RFP for signature and enhanceable events for CY 2000 was issued in August. The HTA sought first-rate proposals for these two categories of events that would accomplish the following objectives: 1) create high profile exposure and marketing opportunities for Hawaii; 2) increase revenues for the State and create jobs for residents by attracting participants, spectators and business investment in Hawaii; 3) complement Hawaii’s traditional resort product; 4) provide added value for the residents of Hawaii; and 5) assist in the overall economic diversification for the State of Hawaii.

The board voted to approve funding for 28 events occurring throughout the Islands for CY 2000. It should be noted that HTA’s events management contractor, discussed in the next section, will be assisting HTA in developing a standard method of evaluation for 1999 and 2000 events.

Events Management Contract

For the year 1999, the HTA approved funding for 31 major events in the amount of approximately \$6.5 million. With over 10 percent of the HTA’s budget being used to support events, the HTA believes it is appropriate to engage the services of an events management company to ensure that:

- Public funds for Hawaii events are used wisely and prudently by recipients;
- Public funds expended for Hawaii events bring measurable benefits to the state and its residents;
- Events that receive public funds are held accountable for those funds; and
- Events that receive public funds make every reasonable effort to ensure the success of their event.

In July 1999, a Request For -Proposals for event management services was issued. A total of five proposals were received. Team Unlimited was selected based upon their diverse event experience, record of success and network of event marketing and research companies across the country. Team Unlimited was awarded a one-year contract for a fee of \$495,000 (tax inclusive). Based upon a budget for events of \$6.5 million in 1999, the HTA feels this is a good value. It is standard for companies that manage events to assess a fee of 15 percent off of the total event budget, which in HTA's case would amount to almost \$1 million.

In this new role, Team Unlimited will manage HTA's relationship with events' organizers. Never before has this been done and never before has there been any synergy among all of the events in Hawaii as they are all organized by different promoters. Effective September, Team Unlimited became the umbrella organization charged with bringing all HTA-funded events together to maximize promotional efforts for the State of Hawaii. In addition, Team Unlimited will provide the following services:

- Develop an event marketing and management plan for state;
- Measure performance of events funded in CY 1999;
- Evaluate event proposals submitted to the HTA for funding consideration in CY 2000;
- Identify and secure new revenue streams for the state from new and existing events;
- Solicit co-operative marketing partners to increase promotional value of Hawaii events; and
- Assist community events with sponsorship leads and other event-related assistance that add to the success of an event.

The effectiveness of Team Unlimited will be measured primarily by the quality of the events marketing and management plan, the success of the events supported by HTA and the benefits gained by the state, as well as the number of co-operative marketing partners and amount of co-op funds raised.

D) Product Development: *Develop new tourism events, experiences and attractions related to agriculture, culture, education, health & wellness, nature, sports and technology to complement Hawaii's traditional resort product and assist in overall economic diversification. Develop community-based tourism programs.*

This initiative is critical to the rejuvenation and diversification of Hawaii's tourism product. The objective of the HTA in this area is to create a firm base for the enhancement of niche tourism products to higher levels.

In March 1999, a Request For Proposals for product development projects in the areas of business development and attraction, technology, ecotourism, education and health and wellness was issued. The Finance Committee reviewed the proposals against the

evaluation criteria and made its recommendations to the full board for approval. The board approved funding for 51 projects spanning all islands, in an amount totaling \$3.3 million. Results of these programs will be monitored in several ways. Event-related projects will be evaluated by the number of attendees/participants and media value. Non-event projects will be monitored through periodic progress reports, and ultimately, a final product.

It is anticipated that the next RFP will be issued in March 2000 in order to give the Authority time to meet with product development groups on each island and solicit their input as to the direction that should be taken in pursuing the development of the various product areas. As such, future efforts in this area will include product development workshops on each island, beginning early next year.

E) Airlift: *Facilitate growth in airlift to Hawaii in a way that is profitable to the air carriers.*

In recognition of the complex nature of the decision-making process regarding the frequency and routing of air service, the HTA is developing an Airline Facilitation Council to assist in developing better dialogue between government and the airline industry. In a deregulated airline environment, market forces often influence the level of air service to a community. It is the intent of the HTA to create an industry operating environment that attracts new or increased levels of service appropriate to the level of demand from each major market area. To this end, the Airline Facilitation Council would assist the HTA in achieving this goal.

The HTA has already met with the Lieutenant Governor and certain airline executives to discuss opportunities in this area. The HTA is prepared to move forward quickly with this initiative.

F) Infrastructure and Support Services: *Be a strong advocate for investments in infrastructure and support services to strengthen tourism and enhance resident quality of life, particularly the revitalization of Waikiki and other key tourist destination areas.*

G) Regulations and Investment Incentives: *Support changes in laws, regulations and capital spending to enable development of alternative and diversified products and new attractions while sustaining Hawaii's natural and cultural resources and community values.*

As the government entity responsible for overall management of Hawaii tourism, the HTA monitors a variety of tourism-related issues beyond marketing and promotion. Initiatives F and G are primarily advocacy roles that the HTA will assume to leverage the

efforts of other government agencies, private organizations and individuals in addressing infrastructure and regulatory issues. In addition to being an advocate, the HTA will be aggressive in seeking federal funds to assist in these areas.

VI. CHALLENGES FACING THE HTA

With an annual budget of \$60 million, public perception and expectations often exceed the parameters of the charge given to HTA. The HTA must be prudent in its rationale and decisions on the allocation of funds. While the HTA does have a source of dedicated funding, is a high profile advocacy group with overall responsibility for tourism, it cannot be a solution to all of the problems in tourism and its source of funds is limited. HTA's enabling legislation provides that HTA have "a permanent, strong focus on marketing." As such, the HTA has developed the draft Tourism Strategic Plan – *Ke Kumu* – to help guide the Authority in its mission for the betterment of the people of Hawaii.

Several challenges regarding funds allocation are significant and must be addressed. In particular, one of HTA's challenges is the NFL Pro Bowl. The cost to the state for the year 2000 Pro Bowl is \$3.5 million and increases in 2001 and 2002 to \$4 million for each year. While it is the most prestigious professional football game after the Super Bowl, HTA believes it is prudent to carefully evaluate the state's return on investment. It is an issue that the events management contractor will assist the HTA in addressing.

The HTA faces other challenges such as the allocation of funds between its various initiatives (e.g., marketing vs. product development vs. events) as well as weighing opportunities on each of the Hawaiian Islands. With a permanent strong focus on marketing, the majority of funds are allocated to brand marketing; however, opportunities in the areas of events and product development are carefully considered, vis-a-vis each islands' comparative advantages. The HTA recognizes this challenge, but is confident that with the expertise of its major contractors as well as the guidance provided by the communities at the Product Development workshops on each island, the best allocation of resources will be made.

Other challenges include legislative issues. The HTA understands that it needs to plan for the assumption of responsibilities of the Hawaii Convention Center (HCC), should the legislation sunset this coming June and responsibilities are assigned to the HTA. Additional legislative initiatives for the HTA are still being formulated and will include such issues as converting the status of the two non-voting members to voting, and some housekeeping adjustments to the HTA statutes.

CY 1999 BUDGET ALLOCATION

HTA anticipates TAT revenues into the tourism special fund for calendar year 1999 to total almost \$57.5 million and has allocated its budget accordingly. The budget allocation below reflects the activities of the HTA's first year of operations:

- 76.4% Tourism Marketing (\$43.9M – HVCB)
 - 67.5% -- *General Marketing*
 - 8.8% -- *Meetings, Conventions and Incentives marketing*
- 11.6% Events marketing (\$6.7M)
- 5.9% Product Development (\$3.4M)
- 2.5% Tourism Research and Planning (\$1.5M)
- 2.0% General and Administrative (\$1.2M – vs. legislative cap of 3%)
- 1.1% Film and TV Marketing (\$0.7M – Baywatch & Destination Stardom)
- 0.4% Public Information and Education (\$0.2M)

Note: Due to rounding, numbers may not equal 100 percent.

ENABLING LEGISLATION

On July 9, 1998, Governor Benjamin J. Cayetano signed into law Act 156, which resulted in the following:

- ◆ Increase of the Transient Accommodations Tax (TAT), otherwise known as the Hotel Tax, from 6 percent to 7.25 percent and broadened to include time-share condominiums.
- ◆ Provided for dedicated tourism marketing with 2.75 percentage points of the TAT dedicated to create an annual tourism fund of approximately \$55 million.
- ◆ Established a cabinet-level Executive Board, the Hawaii Tourism Authority, to oversee the new tourism fund, create a vision for tourism and administer tourism development from a statewide perspective. The thirteen-member board (eleven voting and two non-voting) is composed of both public and private sectors and includes neighbor island representation.
- ◆ Transferred all non-research tourism functions within the State Department of Business, Economic Development & Tourism (DBEDT) to the new Board. Data gathering and analysis related to the visitor industry were transferred to DBEDT in order to provide independent review and evaluation of trends in the visitor industry.

POWERS OF THE HAWAII TOURISM AUTHORITY

According to HRS 201B (Act 156), the Hawaii Tourism Authority is authorized to:

- ◆ Create a vision and develop a long-range plan for tourism in Hawaii, including product development, infrastructure and diversification issues;
- ◆ Develop, coordinate and implement State policies and directions for tourism and related activities taking into account the economic, social and physical impacts of tourism on the state;
- ◆ Develop and implement the State tourism strategic marketing plan, which shall be updated every three years, to promote and market the state as a desirable visitor destination;
- ◆ Have a permanent, strong focus on marketing and promotion;
- ◆ Conduct market development-related research as necessary;
- ◆ Coordinate all agencies and advise the private sector in the development of tourism-related activities and resources;
- ◆ Work to eliminate or reduce barriers to travel in order to provide a positive and competitive business environment, including coordinating with the Department of Transportation on issues affecting airlines and air route development;
- ◆ Market and promote sports-related activities and events;
- ◆ Coordinate the development of new product lines with public and private sectors, including the development of sports, culture, health, education, business and ecotourism;
- ◆ Establish a public information and education program to inform the public of tourism and tourism-related problems;
- ◆ Encourage the development of tourism educational, training and career counseling programs; and
- ◆ Establish a program to monitor, investigate, and respond to complaints about problems resulting directly or indirectly from the tourism industry and taking appropriate action as necessary.